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18 Nov*



BEAVER

1968 ANNUAL REPORT

BEAVER LUMBER COMPANY LIMITED

BEAVER LUMBER COMPANY LIMITED

Directors

H. B. GOURLEY, <i>Winnipeg</i>	D. S. PATERSON, <i>Winnipeg</i>
R. H. G. HARMAN, <i>Victoria</i>	T. O. PETERSON, <i>Winnipeg</i>
K. C. KENNEDY, <i>Winnipeg</i>	T. BRUCE ROSS, <i>Winnipeg</i>
GORDON LAWSON, <i>Winnipeg</i>	C. G. SMITH, <i>Winnipeg</i>
K. A. MITCHELL, <i>Winnipeg</i>	C. M. WILLOUGHBY, <i>Regina</i>

Officers

K. C. KENNEDY, *President*
 K. A. MITCHELL, *Vice-President and General Manager*
 W. T. CUMMINGS, *Secretary-Treasurer*
 C. A. McLEOD, *Assistant Secretary-Treasurer*

Division Managers

ONTARIO: J. W. DUPRAS, *Sheridan Park, Mississauga*
 CENTRAL: A. F. STYLES, *Winnipeg*
 ALBERTA: A. G. GEMMELL, *Edmonton*
 BRITISH COLUMBIA: J. S. WATSON, *North Surrey*

Registrar and Transfer Agent

MONTREAL TRUST COMPANY, *Toronto, Winnipeg,
 Vancouver, Calgary, Regina*

Head Office

120 FORT STREET, *Winnipeg, Canada*

RICHMOND, B.C. NEW STORE



BEAVER LUMBER COMPANY LIMITED

NOTICE OF ANNUAL MEETING 16th APRIL 1969

NOTICE is hereby given that the annual meeting of the shareholders of Beaver Lumber Company Limited will be held at the Fort Garry Hotel, in the city of Winnipeg, in Manitoba, on Wednesday, the 16th day of April 1969, at the hour of three o'clock in the afternoon, for the following purposes:

1. Receiving and considering the report of the directors and the consolidated financial statements for the year ended 31st December 1968, together with the auditors' report thereon.
2. The election of directors.
3. The appointment of auditors for the ensuing year.
4. Ratifying and approving the acts and proceedings of the directors and officers of the Company for the year ended 31st December 1968.
5. The transaction of such other business as may properly come before the meeting or any adjournment thereof.

A copy of the annual report to be submitted to such meeting is forwarded herewith.

An information circular accompanies this notice.

Common shareholders who are unable to attend are requested to sign, date and return the attached form of proxy.

Dated at Winnipeg, in Manitoba, this 25th day of March, 1969.

W. T. CUMMINGS,

Secretary-Treasurer.

INFORMATION CIRCULAR

BEAVER LUMBER COMPANY LIMITED

ANNUAL MEETING OF SHAREHOLDERS

16th APRIL 1969

1. Solicitation of Proxies

This information circular is furnished in connection with the solicitation by the management of Beaver Lumber Company Limited (the Company) of proxies to be used at the aforesaid meeting of shareholders of the Company to be held at the time and place and for the purposes set forth in the attached notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

2. Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are either officers and/or directors of the Company.

A shareholder desiring to appoint some other person to represent him at the meeting may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and in either case delivering the completed proxy to the Secretary of the Company in accordance with the provisions of the general by-laws of the Company.

A shareholder who is giving a proxy may revoke it either

- (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Company at least 24 hours prior to the meeting, or
- (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy by signing written notice of the revocation and delivering it to the Secretary of the Company at least one hour before the meeting provided in all cases that these are done in accordance with the requirements of the general by-laws of the Company.

3. Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction such shares will be voted for the approval of the directors' report and the consolidated financial statements, for the election of directors and the appointment of auditors, and for such other matters placed before the meeting by the management which may properly come before the meeting.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting.

At the time of printing this circular the management of the Company knows of no such amendment, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

4. Voting Shares

On the 28th day of February 1969 the Company had outstanding 3,136,951 common shares without nominal or par value each carrying the right to one vote per share. There are no dividends in default or in arrears with respect to the preferred shares and, as the matters to be dealt with do not affect preferred shareholders, the only persons entitled to vote at the said meeting will be common shareholders.

The directors and senior officers of the Company do not know of any persons or company beneficially owning, directly or indirectly, shares carrying more than 10% of the voting rights attached to the common shares of the Company.

Every common shareholder at the date of the meeting shall be entitled to vote.

5. Election of Directors

The board consists of ten directors to be elected annually. The persons named in the attached form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the board of directors and have been since the dates indicated. Management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the attached form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next annual meeting of shareholders or until his successor is elected or appointed.

In the table set out below are the names of all the persons proposed to be nominated for election as directors, their principal occupations, the year in which each became a director of the Company, and the approximate number of shares of the Company beneficially owned, directly or indirectly, by each of them as of 1st March 1969.

Name	Principal occupation now and within five preceding years	Became a Director	Shares
H. BYRON GOURLEY	Formerly Vice-President, Beaver Lumber Company Limited, now retired (Lumber and Building Supplies)	1948	52,000
ROBERT H. G. HARMAN	Barrister-at-law, partner in law firm of Harman & Company	1967	15,952
KEITH C. KENNEDY	President, Beaver Lumber Company Limited (Lumber and Building Supplies)	1954	33,440
GORDON LAWSON	Senior Vice-President, James Richardson & Sons Limited, formerly Vice-President, Finance (Investment)	1968	500
KEITH A. MITCHELL	Vice-President and General Manager, Beaver Lumber Company Limited (Lumber and Building Supplies)	1968	6,500
DONALD S. PATERSON	Grain Merchant	1965	400
THEODORE O. PETERSON	Chairman of the Board, The Investors Group (Investment Management)	1959	400
T. BRUCE ROSS	President, The Canadian Indemnity Company (Insurance)	1968	1,000
C. GORDON SMITH	President, Oldgard Limited (Private Investment)	1954	3,000
C. MORLEY WILLOUGHBY	Investment Banker	1932	36,000

Note: The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors individually.

6. Remuneration of Directors and Senior Officers

Aggregate direct remuneration paid or payable by the Company to the directors and the senior officers including the five highest paid employees of the Company in respect of the Company's fiscal year ended 31st December 1968 is \$196,216.

The estimated aggregate cost to the Company in the fiscal year of the Company ended 31st December 1968 of all pension benefits proposed to be paid under any pension plan or plans in the event of retirement at normal age, directly or indirectly, by the Company to directors and senior officers including the five highest paid employees of the Company was \$2,430.

Since the commencement of the Company's financial year ended December 31, 1968 the following options for purchase of common shares of the Company were granted to senior officers including the five highest paid employees of the Company as a group, as at February 28, 1969:

Date of Grant	Number of Shares	Price per Share	Expiry date	Price Range on Toronto Stock Exchange in the 30-day period preceding date of grant
May 1, 1968.....	3,538	\$13.95	April 30, 1973	\$12.50-\$16.00
Feb. 1, 1969.....	3,216	17.55	Jan. 31, 1974	\$18.50-\$20.00

7. Appointment of Auditors

The persons named in the attached form of proxy intend to vote for the appointment of Deloitte, Plender, Haskins & Sells, Chartered Accountants, as auditors of the Company, to hold office until the next annual meeting of shareholders. Deloitte, Plender, Haskins & Sells have been auditors of the Company for more than five years.

DATED at Winnipeg, this 25th day of March, 1969.

W. T. CUMMINGS,
Secretary-Treasurer.

BEAVER LUMBER COMPANY LIMITED

AND SUBSIDIARY COMPANIES

HIGHLIGHTS

	1968	1967 (restated)
Sales.....	\$76,906,982	\$67,566,207
Earnings before income taxes.....	\$ 7,034,236	\$ 6,407,790
Income taxes.....	\$ 3,636,842	\$ 3,177,821
Net earnings.....	\$ 3,397,394	\$ 3,229,969
Per common share.....	\$ 1.05	\$.99
Dividends.....	\$ 1,684,587	\$ 1,374,056
Preferred—per share.....	\$ 1.40	\$ 1.40
Class A.....	\$ 1.00	\$ 1.00
Common.....	*\$.475	\$.40
Working capital.....	\$17,091,042	\$16,861,583
Retained earnings.....	\$26,692,829	\$24,743,386
Number of common shareholders.....	1,967	1,322

*In April 1968 the quarterly dividend was increased to 12½¢ per share.

RICHMOND, B.C. STORE INTERIOR



DIRECTORS' REPORT

TO THE SHAREHOLDERS

The Board of Directors submits herewith the Annual Report of the Company and its subsidiaries, together with the consolidated financial statements for the year ended December 31, 1968 and the report of your auditors.

In 1968 your Company again established new records. Sales increased \$9,340,000 or 13.8%, gross profit percentage was maintained at very close to last year's level, and consolidated net earnings increased by 5.2%.

Taxes at all levels have continued to rise. The 3% surtax on corporation income tax became effective January 1, 1968 and had the effect of reducing our earnings by 3¢ per share. Federal and provincial income taxes for the period totalled \$3,636,842, compared to net earnings of \$3,397,394.

→ The profits, \$189,577, resulting from the disposal of fixed assets are not included in net earnings.

The Ontario and Alberta Divisions produced a very satisfactory expansion in sales volume. Large capital outlays in recent years in these Divisions, together with favourable economic conditions, contributed substantially to the improvement in net earnings. Sales in the British Columbia Division were also highly satisfactory, but a lower gross profit percentage and non-recurring costs retarded earnings growth. The Manitoba and Saskatchewan Divisions were amalgamated in September to form the Central Division. This Division, largely dependent on agriculture, experienced lower gross profit percentages and increased expense, with disappointing net results. The primary contributing factor was a more competitive market aggravated by a prolonged harvest, due to excessive moisture, and lower grain sales.

Administrative expense is higher than a year ago and, to the extent that it exceeds the percentage increase in sales, is a matter of concern. In addition to the increase in salary expense and in the cost of supplies and services, there were the initial costs of consolidating the accounting for Western Canada, the extension of centralized cycle billing to Saskatchewan and part of Alberta, and higher interest rates on increased borrowing.

Progress was made in our program of selectively broadening merchandise lines in new and existing branches. The larger stores opened recently in Edmonton, Toronto, Chatham, Stratford, and Winnipeg will contribute to profits in 1969.

Accounts receivable are \$1,146,000 higher than a year ago but the relation to sales is unchanged. The allowance for accounts which may prove to be uncollectable is considered adequate.

During the year the cost of residential building materials and lumber rose by 6% and 9%, respectively, as measured by the Dominion Bureau of Statistics. The general rise in prices coupled with additional stocks required for new branches accounts for the increase in our merchandise inventory. Due to abnormal weather conditions in the producing areas and strong world demand for lumber and plywood, the price of these commodities has continued to increase since year end. Any sudden decline in price, including the removal of the 11% sales tax on building materials, would have an adverse short term effect on the value of our merchandise stocks at that time.

Additions to fixed assets for the year amounted to \$2,900,000, a record level for the Company. This outlay of funds enabled the Company to establish new outlets at High Level and Fort McMurray in Alberta; Winnipeg in Manitoba; Fort William and Port Credit in Ontario. Construction of a new modern store at Richmond, in British Columbia, commenced in 1968 and is now

completed; the store was opened in February 1969. In addition, the Guelph and Bowmanville branches, in Ontario, were relocated to provide new improved merchandising facilities in those communities. A new cash and carry store was opened by Saveway Building Supplies Limited at Mount Forest in Ontario; this is the fourth outlet of this subsidiary. The first phase of a new production plant at Milton, Ontario, was completed, to serve the continuing growth of sales of manufactured homes. The cost of acquiring a number of sites for future development is included in this outlay for fixed assets.

During the five-year period ended December 31, 1968 sales increased \$27.9 million or 56.8%. Coincident with this growth \$8.7 million has been invested in additions to fixed assets and \$5.9 million in additions to merchandise inventories and accounts receivable. Historically funds for your Company's expansion have been generated internally, but the rate of recent growth has necessitated increased bank borrowing. The continuing need for expanded merchandising facilities, together with the related increases in inventories and receivables, and the prudence of reducing the Company's dependence on demand borrowing, have been carefully reviewed. As a result, the Company is considering a public issue of \$5,000,000 of Convertible Debentures.

The Company has adopted the tax allocation basis of accounting for income taxes as recommended by The Canadian Institute of Chartered Accountants. Accordingly, the tax timing differences, between accounting income for statement purposes and taxable income for tax purposes, from the inception of the corporation income taxes in 1917, have been reflected in the financial statements, with appropriate adjustments being made to the previously reported earnings and retained earnings.

In 1968 the Company introduced an employee stock option plan for a term of five years. The options to purchase common shares, which are exercisable by the employees within five years of the date of granting, are limited to 5% of the issued common shares. Options to purchase 19,725 and 18,010 common shares were granted to employees in 1968 and 1969, respectively. The plan provides options for executives, store managers, specialty salesmen, and certain administrative personnel.

Effective September 1st, insurance available to employees under the Company's group life insurance plan was substantially increased.

Were this entire report devoted to the recognition of the contribution made by all personnel at all levels to the progress of the Company, it would be inadequate. We make this comment lest anyone conclude that the usual brevity of our remarks is a measure of our appreciation of the fact that the strength of the Company is in the quality and enthusiasm of its many employees.

A by-law passed in 1968 provides that Directors shall retire from the Board after attaining the age of 70 years, except any present Director who has reached the retirement age.

During the year Mr. J. E. Woods retired from the Board of Directors after serving the Company diligently for a period of 27 years. Your Directors wish to record the appreciation of the Company for Mr. Woods's long and valued service.

Mr. K. A. Mitchell, General Manager, was elected a Director at the last annual meeting and has been elected to the office of Vice-President.

In compliance with listing regulations, the Company will publish quarterly reports commencing in 1969.

On behalf of the Board,



President.

Winnipeg, March 25, 1969.



INTERIOR NEW STORE, WINNIPEG



KITCHEN DISPLAY

BEAVER LUMBER COMPANY LIMITED

AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended December 31, 1968

	1968	1967 (restated)
SALES.....	\$76,906,982	\$67,566,207
EARNINGS FROM OPERATIONS—before the undernoted items	\$ 8,097,612	\$ 7,345,588
Depreciation.....	1,007,223	896,715
Remuneration of directors and senior officers.....	196,216	186,983
	1,203,439	1,083,698
EARNINGS FROM OPERATIONS.....	6,894,173	6,261,890
Net earnings—Beaver Lumber Acceptance Corporation Limited (Note 1).....	125,099	127,977
Income from other investments.....	14,964	17,923
EARNINGS BEFORE INCOME TAXES.....	7,034,236	6,407,790
Current income taxes.....	3,619,128	3,199,746
EARNINGS BEFORE DEDUCTING DEFERRED INCOME TAXES.....	3,415,108	3,208,044
Deferred income taxes (Note 2).....	17,714	(21,925)
NET EARNINGS FOR THE YEAR.....	\$ 3,397,394	\$ 3,229,969

The accompanying notes are an integral part of the financial statements.

BEAVER LUMBER CO.
AND CONSOLIDATED

CONSOLIDATED

AS AT DEC

ASSETS

	1968	1967 (restated)
CURRENT ASSETS:		
Short term note.....	\$ 442,848	\$ 442,926
Accounts receivable.....	9,462,299	8,316,482
Agreements receivable.....	309,136	298,229
Merchandise inventories—at the lower of cost or replacement cost	15,676,377	13,901,222
Insurance deposits.....	104,441	68,382
Total current assets.....	25,995,101	23,027,241
 SPECIAL REFUNDABLE TAX.....	 98,786	 160,400
 INVESTMENTS:		
Shares in and advances to wholly-owned finance company— at equity value (Note 1).....	1,537,861	1,427,762
Shares in other companies—at cost.....	23,206	23,206
	1,561,067	1,450,968
 FIXED ASSETS:		
Land, buildings and equipment—at cost.....	20,712,021	18,524,130
Less accumulated depreciation.....	11,094,954	10,500,834
Net fixed assets.....	9,617,067	8,023,296
 DEFERRED INCOME TAX CHARGES (Note 2).....	 535,755	 553,469
 Approved by the Board:		
GORDON LAWSON, Director		
K. C. KENNEDY, Director		
 TOTAL.....	 \$37,807,776	 \$33,215,374

The accompanying notes are an int

COMPANY LIMITED

ED SUBSIDIARIES

BALANCE SHEET

MBER 31, 1968

LIABILITIES

CURRENT LIABILITIES:	1968	1967 (restated)
Bank indebtedness.....	\$ 4,825,386	\$ 2,461,951
Accounts payable.....	2,233,289	1,651,281
Income and other taxes payable.....	1,424,548	1,709,062
Dividends payable.....	420,836	343,364
Total current liabilities.....	8,904,059	6,165,658

CONTINGENT LIABILITIES (Note 3)

SHAREHOLDERS' EQUITY

Capital stock (Note 4):

Authorized:

Preferred cumulative redeemable \$1.40 series—
54,116 shares of the par value of \$20 each.

Class A—100,000 shares without nominal or par
value, cumulative dividend of \$1 per annum.

Common—4,000,000 shares without nominal or
par value.

Issued and fully paid:

	Shares			
	1968	1967		
Preferred.....	26,348	29,116	526,960	582,320
Class A.....	78,369	78,369	1,628,568	1,606,750
Common.....	3,136,324	783,690		
			2,155,528	2,189,070
Capital surplus arising from purchase for cancellation of preferred shares.....			55,360	117,260
Retained earnings (Note 5).....			26,692,829	24,743,386
			26,748,189	24,860,646
Total shareholders' equity.....			28,903,717	27,049,716
TOTAL.....			\$37,807,776	\$33,215,374

BEAVER LUMBER COMPANY LIMITED

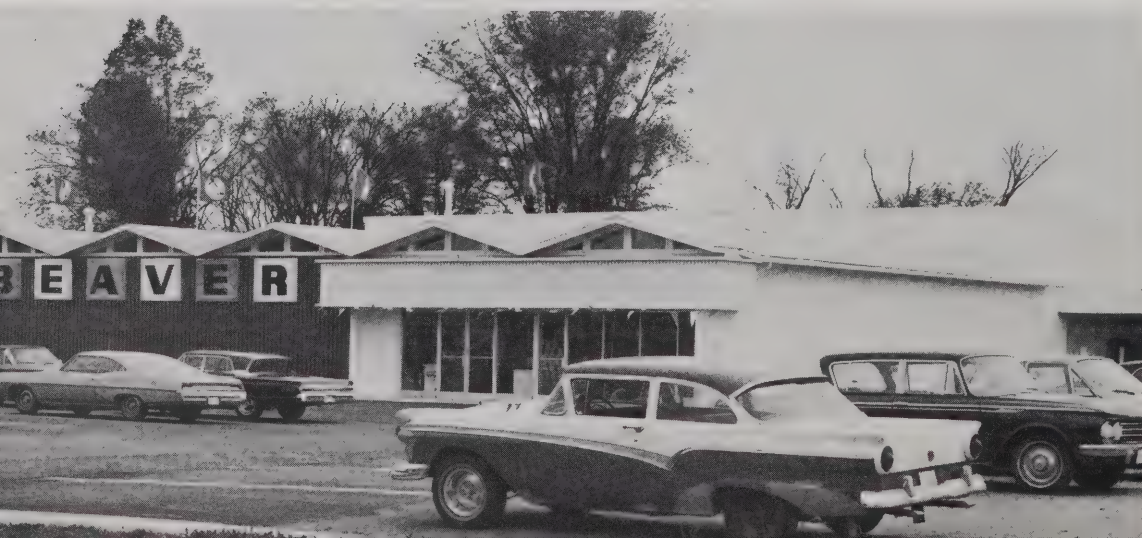
AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1968

	1968	1967 (restated)
BALANCE AT BEGINNING OF THE YEAR:		
As previously reported.....	\$24,189,917	\$21,918,157
Adjustments (Note 2).....	553,469	531,544
RETAINED EARNINGS AS RESTATED.....	24,743,386	22,449,701
ADD:		
Net earnings for the year.....	3,397,394	3,229,969
Profit on disposal of fixed assets.....	189,557	471,884
Transferred from capital surplus.....	117,260	—
	28,447,597	26,151,554
DEDUCT		
Dividends:		
Preferred.....	38,573	41,783
Class A.....	78,369	78,369
Common.....	1,567,645	1,253,904
	1,684,587	1,374,056
Premium on preferred shares purchased for cancellation.....	14,821	7,372
Designated as capital surplus.....	55,360	26,740
	1,754,768	1,408,168
BALANCE AT END OF THE YEAR.....	\$26,692,829	\$24,743,386

The accompanying notes are an integral part of the financial statements.



NEW STORE,
GUELPH, ONTARIO

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1968

SOURCE OF FUNDS:	1968	1967 (restated)
Net earnings for the year.....	\$ 3,397,394	\$ 3,229,969
Provision for depreciation.....	1,007,223	896,715
Deferred income taxes.....	17,714	(21,925)
	<hr/>	<hr/>
Funds provided from operations.....	4,422,331	4,104,759
Special refundable tax.....	61,614	—
Issue of common shares.....	21,818	—
Disposal of fixed assets.....	486,846	887,507
Decrease in investment in wholly-owned finance company.....	—	552,023
	<hr/>	<hr/>
	4,992,609	5,544,289
	<hr/>	<hr/>
APPLICATION OF FUNDS:		
Additions to fixed assets.....	2,898,283	2,368,534
Dividends paid.....	1,684,587	1,374,056
Preferred shares purchased for cancellation.....	70,181	34,112
Increase in investment in wholly-owned finance company.....	110,099	—
Special refundable tax.....	—	43,948
	<hr/>	<hr/>
	4,763,150	3,820,650
	<hr/>	<hr/>
INCREASE IN WORKING CAPITAL.....	229,459	1,723,639
WORKING CAPITAL AT BEGINNING OF THE YEAR.....	16,861,583	15,137,944
	<hr/>	<hr/>
WORKING CAPITAL AT END OF THE YEAR.....	\$17,091,042	\$16,861,583
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The accompanying notes are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1968

NOTE 1—BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies with the exception of the wholly-owned finance company, Beaver Lumber Acceptance Corporation Limited. The nature of the business of this subsidiary is different from the operations of the parent company and other subsidiaries. The investment in the wholly-owned finance company, including advances, is shown on the consolidated balance sheet at equity value; its net earnings are included in the consolidated statement of earnings and its retained earnings are included in the consolidated statement of retained earnings. A statement of the assets and liabilities of Beaver Lumber Acceptance Corporation Limited as at December 31, 1968 is appended hereto.

NOTE 2—INCOME TAXES

In 1968 the Company changed its method of accounting for income taxes from the taxes currently payable basis to the tax allocation basis, the method recently recommended by The Canadian Institute of Chartered Accountants. This change, effected retroactively, has resulted in an increase in the balance of consolidated retained earnings at the beginning of 1967 of \$531,544 and an increase in previously reported consolidated net earnings for 1967 of \$21,925; the aggregate of these amounts has been shown on the consolidated balance sheet at December 31, 1967 as deferred income tax charges.

NOTE 3—CONTINGENT LIABILITIES

The Company is contingently liable in the following amounts: customers' secured notes discounted, \$45,532; and the guarantee of the wholly-owned finance company's promissory notes payable \$2,000,000.

NOTE 4—CAPITAL STOCK

Supplementary letters patent dated January 22, 1968 authorized:

- (a) the cancellation of 5,863 preferred \$1.40 series shares.
- (b) the subdivision of the authorized 1,000,000 common shares into 4,000,000 common shares.

During the year 2,768 preferred \$1.40 series shares were purchased for cancellation; and 1,564 common shares were issued under the employee stock option plan for a cash consideration of \$21,818.

Pursuant to the provisions of the employee stock option plan, 156,738 common shares of the Company were reserved to provide for employee stock options during the five-year term of the plan. In 1968 options to purchase 19,725 common shares at a price of \$13.95 exercisable on or before April 30, 1973 were granted to employees.

NOTE 5—RETAINED EARNINGS

Under the terms of the Company's guarantee of the finance company's promissory notes payable, the Company has covenanted that it will not declare or pay any dividends other than stock dividends and \$1.40 series preferred dividends or redeem any shares of its capital stock that in the aggregate will reduce the consolidated retained earnings below \$14,200,000.

INTERIOR NEW STORE, PORT CREDIT, ONTARIO



AUDITORS' REPORT
TO THE SHAREHOLDERS OF
BEAVER LUMBER COMPANY LIMITED

We have examined the consolidated balance sheet of Beaver Lumber Company Limited and consolidated subsidiaries as at December 31, 1968 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in the method of accounting for income taxes as described in Note 2 to the consolidated financial statements.

DELOITTE, PLENDER, HASKINS & SELLS
Chartered Accountants.

Winnipeg, Manitoba
February 28, 1969.

CARPET AND LIGHT FIXTURE DISPLAY



BEAVER LUMBER ACCEPTANCE CORPORATION LIMITED

STATEMENT OF ASSETS AND LIABILITIES

As at December 31, 1968

ASSETS:	1968	1967
Finance contracts receivable (Note 1).....	\$4,222,879	\$3,604,693
Mortgages receivable (Note 2).....	54,276	75,403
Special refundable tax.....	3,015	5,699
Furniture and equipment—at cost less accumulated depreciation..	5,690	7,430
TOTAL.....	<u>\$4,285,860</u>	<u>\$3,693,225</u>
LIABILITIES:		
Bank indebtedness—secured.....	\$ 661,504	\$ 172,907
Income taxes payable.....	29,228	49,093
Accounts payable and accrued charges.....	57,267	43,463
	<u>747,999</u>	<u>265,463</u>
Promissory notes payable (Note 3).....	<u>2,000,000</u>	<u>2,000,000</u>
EQUITY OF BEAVER LUMBER COMPANY LIMITED and its subsidiary companies:		
Advances.....	720,000	720,000
Share capital.....	300,006	300,006
Retained earnings.....	517,855	407,756
	<u>1,537,861</u>	<u>1,427,762</u>
TOTAL.....	<u>\$4,285,860</u>	<u>\$3,693,225</u>

Note 1—Finance contracts receivable are shown net after deducting unearned finance charges 1968 \$826,110, 1967 \$661,710, and allowance for doubtful accounts 1968 \$183,461, 1967 \$179,240, and include instalments due after twelve months amounting to \$2,078,000 at December 31, 1968 and \$1,760,000 at December 31, 1967.

Note 2—Mortgages receivable are shown net after deducting allowance for doubtful loans 1968 \$2,500, 1967 \$2,332.

Note 3—5¾% promissory notes due 1985, principal repayable in equal annual instalments commencing 1976.

AUDITORS' REPORT TO THE SHAREHOLDERS OF BEAVER LUMBER ACCEPTANCE CORPORATION LIMITED

We have examined the statement of assets and liabilities of Beaver Lumber Acceptance Corporation Limited as at December 31, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion this statement presents fairly the assets and liabilities of Beaver Lumber Acceptance Corporation Limited as at December 31, 1968 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winnipeg, Manitoba
February 28, 1969.

DELOITTE, PLENDER, HASKINS & SELLS
Chartered Accountants.

BEAVER LUMBER COMPANY LIMITED

AND SUBSIDIARY COMPANIES

	Number of Branches
ONTARIO DIVISION:	
Beaver Lumber Company Limited.....	76
Beaver Lumber (Brantford) Limited.....	1
Beaver Lumber (Dunnville) Limited.....	1
Beaver Lumber (Quebec) Limited.....	2
Beaver Lumber (Trenton) Limited.....	1
Saveway Building Supplies Limited.....	4
	— 85
CENTRAL DIVISION:	
Beaver Lumber Company Limited	
Manitoba.....	43
Saskatchewan.....	65
The Empire Sash & Door Company Limited.....	1
	— 109
ALBERTA DIVISION:	
Beaver Lumber Company Limited.....	66
BRITISH COLUMBIA DIVISION:	
Beaver Lumber Company Limited.....	10
Beaver Lumber Acceptance Corporation Limited.....	1
Total.....	271





SAVEWAY, CHATHAM, ONTARIO, CASH AND CARRY



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BEAVER LUMBER
COMPANY LIMITED

**INTERIM
REPORT
TO
SHAREHOLDERS**

To the Shareholders of

Beaver Lumber Company Limited

We present interim consolidated statements of earnings and source and application of funds for the six months ended June 30, 1968, with comparative figures for the six months ended June 30, 1967.

Net earnings for the period improved by 6.4% over 1967. Sales increased by 11.6%. Gross profits are considered satisfactory but expenses are higher than in the first half of 1967.

Cycle billing of customer accounts, while not fully operative, is being introduced in all Divisions. The centralization in Winnipeg of the accounting for the four Western Provinces will be completed in August with the inclusion of Alberta. Large new branches opened in Edmonton, Winnipeg, Toronto, Chatham, and Stratford are showing satisfactory progress but have contributed a substantial portion of the expense increase in 1968. It is anticipated that these branches will achieve a break-even point by the year end. The income tax provision includes the 3% surtax imposed in 1968.

The present outlook for sales for the balance of the year is favorable. Costs relating to new and remodelled stores will contribute to a continued high level of expense.

Mr. K. A. Mitchell, General Manager, was elected a Director of your Company at the last annual meeting and has been elected to the office of Vice-President.

K. C. KENNEDY
President

Winnipeg, July 25, 1968.

BEAVER LUMBER COMPANY LIMITED
AND SUBSIDIARY COMPANIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited and subject to year-end adjustments)

	Six Months Ended June 30	
	1968	1967
CONSOLIDATED STATEMENT OF EARNINGS		
Sales.....	\$ 30,295,083	\$ 27,130,996
Earnings before income taxes		
(Note 1).....	2,340,686	2,161,133
Income taxes.....	1,243,633	1,130,496
Net earnings for the period.....	\$ 1,097,053	\$ 1,030,637
Net earnings per common share		
(Note 2).....	33c	31c
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS		
SOURCE OF FUNDS:		
Net earnings for the period.....	\$ 1,097,053	\$ 1,030,637
Provision for depreciation.....	418,287	368,813
	1,515,340	1,399,450
Disposal of fixed assets.....	180,729	638,403
Decrease in investment in wholly-owned finance company.....	—	609,092
Issue of common shares (Note 3)	4,004	—
	1,700,073	2,646,945
APPLICATION OF FUNDS:		
Addition to fixed assets.....	994,772	682,371
Dividends paid.....	843,228	687,328
Preferred shares purchased for cancellation.....	39,701	22,662
Special refundable tax.....	26,143	18,036
Increase in investment in wholly-owned finance company.....	45,428	—
	1,949,272	1,410,397
Increase (Decrease) in working capital.....	(249,199)	1,236,548
Working capital at beginning of the period.....	16,861,583	15,137,944
Working capital at end of the period.....	\$16,612,384	\$ 16,374,492

Note 1—Based on estimated inventories.

Note 2—1967 earnings per common share calculated on the basis of the 4 for 1 subdivision of common shares effected in 1968.

Note 3—Options exercised under Employee Stock Option Plan—287 shares.